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## LISTING STATEMENT NO. 2391.

LISTED 10th SEPTEMBER, 1969.  
10,000,000 Shares without par value.  
Stock Symbol "AQP".  
Post section 3.6.  
Dial Quotation No. 2294.

## THE TORONTO STOCK EXCHANGE

*Sip*  
**LISTING STATEMENT****AMERICAN QUASAR PETROLEUM CO.**

Incorporated by Articles of Incorporation under the laws of the State of Texas

## 1. Address of the Company's Head Office and of any other offices:

Principal Executive and Operating offices: 2214 Continental National Bank Building, Fort Worth, Texas, and 590 Crown Trust Building, Calgary 2, Alberta. Registered office.

## 2. Officers of the Company:

<u>Office Held</u>	<u>Name</u>	<u>Address</u>	<u>Occupation</u>
President	David Albert McMahon	6300 Greenway Road Fort Worth, Texas U.S.A.	Independent Oil Operator
Secretary-Treasurer	Wilford Blaine Fultz	1446 Brazos Graham, Texas U.S.A.	Independent Oil Operator
Vice-President, Assistant Secretary	Richard Lawrence Lowe	16 Valley Ridge Road Fort Worth, Texas U.S.A.	Petroleum Geologist and Independent Oil Operator
Vice-President	C. O. Ted Collins, Jr.	741 Boyd Street Midland, Texas U.S.A.	Geological Engineer and Independent Oil Operator
Vice-President	Arthur Raphael Klimchuk	49 Butler Crescent Calgary, Alberta	Petroleum Geologist

## 3. Directors of the Company:

	<u>Name</u>	<u>Address</u>	<u>Occupation</u>
David Albert McMahon		6300 Greenway Road Fort Worth, Texas U.S.A.	Independent Oil Operator
Wilford Blaine Fultz		1446 Brazos Graham, Texas U.S.A.	Independent Oil Operator
Richard Lawrence Lowe		16 Valley Ridge Road Fort Worth, Texas U.S.A.	Petroleum Geologist and Independent Oil Operator
C. O. Ted Collins, Jr.		741 Boyd Street Midland, Texas U.S.A.	Geological Engineer and Independent Oil Operator
Arthur Raphael Klimchuk		49 Butler Crescent Calgary, Alberta	Petroleum Geologist
William Lawrence McInerney		4217 Hockaday Drive Dallas, Texas U.S.A.	Attorney at Law Partner, Turner, Hitchins, McInerney, Webb & Hartnett, Dallas, Texas

<u>Name</u>	<u>Address</u>	<u>Occupation</u>
Walter Arsdale Schmid, Jr.	8033 North New Braunfels San Antonio, Texas U.S.A.	Mr. Schmid is presently President of Schmid Properties, Inc. and Executive Vice-President of Lonestar Brewing Company. In addition Mr. Schmid was the Chairman of the Executive Committee of Bolte Company and President of North Texas Advertising Company
William Richard Fulton	423 Crescent Boulevard Calgary, Alberta	Investment Dealer, Midland-Osler Securities Limited
Glenn Cyril Speakman	17 Caverley Drive Toronto, Ontario	Manager Corporate Underwritings, Midland-Osler Securities Limited (prior to January, 1965, Student Harvard University, Graduate School of Business Administration)

4. Names and addresses of all transfer agents:  
Royal Trust Company, Calgary and Toronto.
5. Particulars of any fee charged upon transfer other than customary government taxes:  
.50¢ per transfer in Canada.
6. Names and addresses of all registrars:  
Royal Trust Company, Calgary and Toronto.
7. Amount of authorized capital:  
See pages 3 and 5 of the Prospectus dated June 14, 1969.
8. Number of shares and par value:  
See pages 3 and 5 of the Prospectus dated June 14, 1969.
9. Full details of all shares issued in payment for properties or for any other assets other than cash:

Date	Number of Shares	Brief description of the properties or other assets and the aggregate consideration therefor, expressed in cash, shares, etc.
See page 9 of the Prospectus dated June 14, 1969.		See pages 3 and 5 of the Prospectus dated June 14, 1969.

10. Full details of all shares sold for cash.	<table border="1"> <thead> <tr> <th>Date</th><th>Number of Shares</th><th>Price per Share</th><th>Amount realized by Company</th></tr> </thead> <tbody> <tr> <td>January 15, 1969</td><td>15,000</td><td>\$0.107</td><td>\$ 1,605.00</td></tr> <tr> <td>April 1, 1969</td><td>11,500</td><td>\$3.50</td><td>Nil *</td></tr> <tr> <td>July 15, 1969</td><td>701,000</td><td>\$3.22</td><td>\$2,257,220.00</td></tr> <tr> <td>Total ....</td><td>727,500</td><td></td><td>\$2,258,825.00</td></tr> </tbody> </table>	Date	Number of Shares	Price per Share	Amount realized by Company	January 15, 1969	15,000	\$0.107	\$ 1,605.00	April 1, 1969	11,500	\$3.50	Nil *	July 15, 1969	701,000	\$3.22	\$2,257,220.00	Total ....	727,500		\$2,258,825.00
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January 15, 1969	15,000	\$0.107	\$ 1,605.00																		
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July 15, 1969	701,000	\$3.22	\$2,257,220.00																		
Total ....	727,500		\$2,258,825.00																		
11. Total number of shares issued:	3,701,000.																				
12. Number of shares now in treasury or otherwise unissued.	6,299,000.																				
13. Particulars of any issued shares held in trust for the Company or donated for treasury purposes.	Nil.																				
14. Date of last annual meeting.	Nil.																				
15. Date of last report to shareholders.	Nil.																				

16. Details of any treasury shares (or shares issued subject to payment or shares held for the benefit of the treasury) now under option or the subject of any underwriting or sales agreement. If none, this to be stated.	<p>See Item 10.</p> <p>(i) By agreement dated July 15, 1969, between the Company and Midland-Osler Securities Limited, the Company granted an option to Midland-Osler to purchase up to 37,500 common shares of the Company at a price of \$3.50 per share at any time up to July 15, 1974.</p>
17. Names and addresses of persons having any interest, direct or indirect, in underwritten or optioned shares or other securities or assignments, present or proposed.	See page 24 of the Prospectus dated June 14, 1969.
18. Details of any payments in cash or securities of the Company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	Nil.
19. Details of any shares pooled, deposited in escrow, non-transferable or held under any voting trust agreement, syndicate agreement or control.	See page 10 of the Prospectus dated June 14, 1969.
20. Names and addresses of owners of more than a 5% interest in pooled or escrowed shares and their shareholdings. (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	See page 8 of the Prospectus dated June 14, 1969.
21. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	See pages 8 and 10 of the Prospectus dated June 14, 1969. In addition, Midland-Osler Securities Limited was on July 29, 1969, the registered but not beneficial owner of 469,225 shares. For beneficial ownership see Item 43.
22. Names and addresses of persons whose shareholdings are large enough to materially affect control of the Company.	See page 8 of the Prospectus dated June 14, 1969.
23. Details of any registration with or approval or authority for sale granted by or any filing with a Securities Commission or corresponding Government body.	The Company has received authority from the Alberta, British Columbia, Manitoba, Ontario, Quebec and Saskatchewan Securities Commissions to sell in those Provinces the 701,000 shares offered by the Prospectus dated June 14, 1969.
24. Has any application for registration with or approval or authority for sale by or any filing with a Securities Commission or corresponding Government body ever been refused, cancelled, suspended or revoked? If so, give particulars.	No.

25.	Particulars of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	Nil.
26.	If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	3,260,000 shares of Quasar Petroleum Ltd. at a cost of \$1,576,217.50. There is no present established market value for such shares.
27.	Enumerate fully each of the following property classifications, giving claim or property numbers, approximate acreage, townships and mining camp or oil field:  (a) Properties owned where titles vested in Company. (b) Properties leased. (c) Properties otherwise held. Give particulars of title held by the Company in each instance (e.g. patented, unpatented, Crown granted, held under mining license, perpetual lease, etc.).	See pages 3, 4 and 5 of the Prospectus dated June 14, 1969.  For Alberta, Saskatchewan and Arctic properties see pages 14 and 15 of the Prospectus dated June 14, 1969.
28.	Full particulars of any royalties or other charges payable upon production from each individual property.	The Company's oil and gas properties are generally subject to a lessors royalty of 12.5% and some of the properties are subject to a gross overriding royalty which in no case exceeds 12½%.
29.	Names and addresses of vendors of any property or other assets intended to be purchased by the Company showing the consideration to be paid.	Nil.
30.	Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	Nil.
31.	Are any lawsuits pending or in process against the Company or any of its properties, or are there any other circumstances which might affect the Company's position or title adversely? If so explain fully.	Nil.
32.	Describe plant and equipment on property or properties.	The Company owns producing equipment, gathering systems and related facilities having a fair market value of approximately \$552,000.00 pertaining to the production of crude oil and natural gas from the oil and gas properties.
33.	Describe all development accomplished and planned.	See pages 3, 6 and 7 of the Prospectus dated June 14, 1969.

*A copy of this prospectus has been filed with the Registrar of Companies for the Province of Alberta. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities are offered by this prospectus only in the Provinces of Alberta, British Columbia, Manitoba, Ontario, Quebec and Saskatchewan.*

NEW ISSUE

JUNE 1969

# AMERICAN QUASAR PETROLEUM CO.

(Incorporated under the laws of the State of Texas, United States of America)

701,000 COMMON SHARES  
without par value  
AND

# QUASAR PETROLEUM LTD.

(Incorporated under the laws of the Province of Alberta)

## 701,000 SHARE PURCHASE WARRANTS

To be offered in Units comprising one Common Share of American Quasar Petroleum Co. and the right to receive one Share Purchase Warrant of Quasar Petroleum Ltd.

Price \$3.50 per Unit

A Share Purchase Warrant of Quasar Petroleum Ltd. when delivered will entitle the registered owner thereof to purchase one common share in the capital stock of Quasar Petroleum Ltd. as presently constituted at a price of \$2.50 per share up to the close of business on June 26, 1971, and thereafter at \$5.00 per share up to the close of business on June 26, 1972, after which time it shall expire.

### PROCEEDS TO

	Price to Public	Underwriter (1)	American Quasar Petroleum Co. (2)
Per Unit	\$ 3.50	\$ .28	\$ 3.22
Total	\$2,453,500	\$196,280	\$2,257,220

- (1) In addition, in consideration of the sum of \$1,875 American Quasar Petroleum Co. will grant to Midland-Osler Securities Limited an Option to Purchase from American Quasar Petroleum Co. 37,500 of its common shares at a price of \$3.50 per share exercisable at any time up to and including June 26, 1974 and in consideration of the sum of \$1,875 Quasar Petroleum Ltd. will sell to Midland-Osler Securities Limited 37,500 Share Purchase Warrants identical to the Share Purchase Warrants being offered hereunder.
- (2) Before deduction of expenses of the issue payable by American Quasar Petroleum Co. estimated at \$40,000.

### THESE ARE SPECULATIVE SECURITIES

There is no market for the Units hereby offered, and the price of the securities was determined by negotiation. Reference is made to the heading "Introductory" and the material contract listed as (1) on page 9.

The purpose of this issue is to provide funds for acquisition, exploration and development of oil and gas properties. (See "Use of Proceeds" on pages 6 and 17).

We, as principals, offer these Units if, as and when issued by American Quasar Petroleum Co. and delivered to us and accepted by us subject to prior sales and subject to the approval of all legal matters by Messrs. Saucier, Jones, Peacock, Black, Gain, Stratton & Laycraft, Calgary, Alberta, and Messrs. Turner, Hitchins, McInerney, Webb & Hartnett, Dallas, Texas, on behalf of the Companies and by Messrs. McLaws & Company, Calgary, Alberta, on our behalf. We reserve the right to accept applications for these securities in whole or in part or to reject any application and to withdraw this offer at any time without prior notice.

It is expected that certificates representing the Units consisting of one Common Share of American Quasar Petroleum Co. and a right to receive one Share Purchase Warrant of Quasar Petroleum Ltd. will be available for delivery on or about June 26, 1969.

The registered owner of a Unit will not be entitled to receive a Share Purchase Warrant of Quasar Petroleum Ltd. until December 26, 1970 or such earlier date as American Quasar Petroleum Co. and we may designate on not less than 15 days' notice to the registered holders of the Unit Certificates, and accordingly until such time, the Units may be transferred only in units.

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## **INTRODUCTORY**

Pursuant to this Prospectus, Units are being offered to the public, each one of which will evidence the ownership of a share in the capital stock of American Quasar Petroleum Co. (hereinafter sometimes called "American Quasar") and will entitle the registered owner thereof to receive a Share Purchase Warrant entitling the registered owner thereof to purchase one share in the capital stock of Quasar Petroleum Ltd. (hereinafter sometimes called "Canadian Quasar"). Accordingly, this Prospectus contains pertinent information relating to both American Quasar and Canadian Quasar. In this connection, Part I of the Prospectus is devoted to American Quasar and Part II of the Prospectus is devoted to Canadian Quasar.

Most of the proceeds from this financing will flow to Canadian Quasar (see "Use of Proceeds" on page 6) and American Quasar will own in excess of 98% of the capital stock of Canadian Quasar, subject to being reduced to an 80% ownership when and if the Share Purchase Warrants of Canadian Quasar are exercised.

Upon completion of this financing 20% of the outstanding shares of American Quasar will be owned by the public and 80% by the five principal shareholders (see "Principal Shareholders" on page 8). Upon the exercise of the Share Purchase Warrants the public will also directly own in excess of 18% of the outstanding shares of Canadian Quasar.

As hereinafter indicated in this Prospectus, American Quasar and Canadian Quasar intend to conduct extensive oil and gas exploration and development operations in Canada (see "Description of Business" on page 14).

Throughout this Prospectus monetary sums are expressed in Canadian currency. Where a conversion from United States currency to Canadian currency has been made, the exchange rate used was on the basis that \$1 U.S. is equivalent to \$1.07 Canadian.

## **PART I**

### **AMERICAN QUASAR PETROLEUM CO.**

American Quasar was incorporated on January 15, 1969, by Articles of Incorporation under the laws of the State of Texas, one of the United States of America, with an authorized capital of 5,000 shares having a par value of \$1.00 per share. Subsequently, the Articles of Incorporation were amended by Articles of Amendment dated February 6, 1969, so as to change the authorized capital of American Quasar to 10,000,000 shares without nominal or par value. American Quasar is registered to carry on business in the Province of Alberta. The head office and principal office of American Quasar in the United States is located at 2214 Continental National Bank Building, Fort Worth, Texas, 76102 and its principal office in Canada is located at 590 Crown Trust Building, Calgary 2, Alberta.

### **DESCRIPTION OF BUSINESS**

American Quasar is in the business of exploring for, producing and marketing oil, gas and other minerals. It owns working interests in producing oil and gas properties in the Northern part of the State of Texas, one of the United States of America, described under the heading "Oil and Gas Properties" on pages 3 and 4 (hereinafter sometimes called "the North Texas properties").

In addition, American Quasar intends to carry on the business of acquiring, producing and selling petroleum, natural gas, related hydrocarbons, and other natural resources in Western Canada and Alaska. It intends that any exploration and development by it in Canada will be only through or as a participant with Canadian Quasar, and that it will use funds generated from the sale of oil and gas from its producing properties for that purpose.

### **OIL AND GAS PROPERTIES**

#### **Producing Properties:**

American Quasar owns working interests in producing oil wells in the Wilbarger County Regular Field in Wilbarger County, Texas; the Baylor County Regular Field in Baylor County, Texas; in the Liles Field, the Ewalt South Field, the Throckmorton East Field and the Throckmorton County Regular Field in Throckmorton County, Texas; the Taylor Field and the Murphs-Hump Field in Young County, Texas; the Spanish Fort Crinoidal Field in Montague County, Texas; the Wichita County Regular Field in Wichita County, Texas; the Rasberry Field in Foard County, Texas; and the Boonesville Field in Jack County, Texas. Such interests are summarized below:

PRODUCING OIL & GAS WELLS	TYPE OF OWNERSHIP	GROSS OR TOTAL WELLS (1)	INTEREST EXPRESSED AS NET WELLS (2)
Texas	Leasehold Interest	121 oil 1 gas	105.5 0.5

(1) "Gross or Total Wells" represents all wells in which American Quasar has a working interest.

(2) "Net Wells" represents the aggregate of the working interest of the Company in the Gross or Total Wells.

In addition to the gross or total wells shown above, American Quasar owns interests in 55 water injection or disposal wells used in connection with operations of the producing wells.

The above described properties were acquired by American Quasar from the five principal shareholders of American Quasar. (See "Material Contracts and Interest of Management and Others in Material Transactions" at page 9).

### Oil and Gas Reserves

American Quasar owns interests in oil and gas reserves in Texas which are located in the Wilbarger, Wichita, Throckmorton, Baylor, Foard, Jack, Young and Montague Counties and the production from such reserves is from various producing formations. A report dated April 1st, 1969, prepared by James A. Lewis Engineering, Inc., Dallas, Texas as of January 1st, 1969, estimated the oil and gas reserves and net revenue which will accrue to the interest in the properties acquired by American Quasar upon production to be as follows: (A copy of this report is on file at the offices of American Quasar at 590 Crown Trust Building, Calgary, Alberta, and at the offices of each of the Securities Commissions in those Provinces of Canada in which these securities may be offered for sale and are available for public examination).

Recoverable Oil Reserves	Estimated Net Oil Reserves (Barrels)	Estimated Net Natural Gas Reserves (Mcf)	Estimated Future Net Income (1) After Operating and Development Costs (2)		
			Not Discounted	Discounted to present worth values at a 6% per annum rate	Discounted to present worth values at a 9% per annum rate
Proved Producing	1,845,732	800,935	\$3,001,644	\$2,215,338	\$1,962,080
Proved Non-Producing	48,750	—	69,573	43,686	35,770
Total Proved	1,894,482	800,935	3,071,217	2,259,024	1,997,850
Probable	1,302,347	—	2,405,821	1,424,954	1,103,008
Total Proved and Probable	3,196,829	800,935	\$5,477,038	\$3,683,978	\$3,100,858

(1) "Future net income", referred to above, covering a period of twenty-five years, is after deduction of oil and gas production and severance taxes, direct operating costs, ad valorem taxes, all royalties and future capital expenditures, but before deduction of Federal income taxes. General and administrative overhead expenses of American Quasar have not been taken into account in determining "future net income" and, in addition, no salvage value has been ascribed to the working interest ownership, although certain wells are currently temporarily abandoned and the equipment employed in respect thereto could be immediately recovered and sold. "Future net income" has been calculated without taking into account a reserved production payment in the original principal sum of \$1,819,000, the remaining amount of which is approximately \$588,500 as of April 1st, 1969, owned by the Children's Hospital Charity Inc. of Fort Worth, Texas (hereinafter referred to as the "oil production payment"). American Quasar has an option to purchase and has agreed with Midland-Osler Securities Limited pursuant to the underwriting agreement referred to on page 6 that it will purchase at the closing time as defined in the underwriting agreement such production payment for the unpaid amount thereof. For further particulars relating to the purchase of the oil production payment by American Quasar see "Use of Proceeds" and "Material Contracts and Interest of Management and Others in Material Transactions" on pages 6 and 9. The above mentioned future net income, undiscounted and discounted, does not necessarily reflect the fair market value of such reserves if the properties were to be sold.

- (2) The said engineering report of James A. Lewis Engineering, Inc. shows that future development costs relative to the proved non-producing, probable undeveloped and probable waterflood properties are estimated to be \$325,245.

#### Production History of North Texas Properties

The gross production of crude oil and natural gas measured in barrels and Mcf respectively and the net income therefrom attributable to the working interest acquired April 1, 1969, by American Quasar in the North Texas oil and gas properties for a period of three years ending March 31, 1969 was as follows:

Year	Production		Gross Income \$	Operating Costs \$	Development Costs \$	Net Income \$
	Oil (Bbls.)	Gas (Mcf)				
Apr. 1/66 to Dec. 31/66	182,565	36,216	591,853.58	204,159.79	65,866.23	321,828.86
Jan. 1/67 to Dec. 31/67	241,050	57,657	785,829.77	274,674.65	91,551.53	419,603.59
Jan. 1/68 to Dec. 31/68	199,411	49,991	656,881.05	255,039.78	75,742.21	326,099.06
Jan. 1/69 to Mar. 31/69	43,192	24,492	157,203.98	57,998.94	20,781.46	78,423.58

The foregoing table reflects the total production attributable to the working interest now owned by American Quasar in the North Texas oil and gas properties including the production received by the owner of the reserved oil production payment described in note one on page 4 hereof.

#### PRELIMINARY EXPENSES

Since the incorporation of American Quasar there has been expended a total of \$21,000 in respect to preliminary expenses, all of which related to administrative expenses which include mainly costs of incorporation and organization, legal, travel and accommodation, but no part of such expenses was for remuneration to the officers and directors of American Quasar. Since incorporation American Quasar has not incurred any development expenses in respect to its oil and gas properties and it is not anticipated that American Quasar will incur any further preliminary expenses other than expenses relating to the maintenance of its oil and gas properties.

#### CAPITALIZATION

	Authorized	Outstanding as at April 1, 1969	Outstanding as at April 30, 1969	Pro-forma (1) Outstanding as at April 30, 1969
Minority interest in capital stock of Canadian Quasar	—	—	—	\$ 31,178
Capital Stock				
Common Shares without par value	10,000,000 shs.	3,015,000 shs.	3,000,000 shs.	3,701,000 shs. (2)

(1) After giving effect to:

- (a) The sale of 701,000 common shares to Midland-Osler Securities Limited.
- (b) The purchase of 3,245,000 common shares of Canadian Quasar.

(2) As at April 30, 1969, 49,000 common shares are reserved as follows:

- (a) as a reserve against the exercise of the option entitling Midland-Osler to purchase 37,500 common shares of American Quasar (see "Underwriting Agreement" at page 6 hereof).
- (b) to satisfy the obligation of American Quasar to issue, upon payment therefor, 11,500 common shares to Arthur R. Klimchuk pursuant to the terms of the subscription agreement between American Quasar and Arthur R. Klimchuk referred to under the heading "Material Contracts and Interest of Management and Others in Material Transactions" on page 9.

## **COMMON SHARES**

American Quasar has only one class of shares which are Common Shares without par value all of which rank equally as to entitlement to dividends, voting rights (each Common Share carrying one vote at all meetings of shareholders) and repayment on liquidation or other distribution. All issued Common Shares and the 701,000 Common Shares offered by this prospectus have been or will be issued as fully paid and non-assessable shares. Further Common Shares may be allotted and issued at such times, in such manner and to such persons as the directors of American Quasar may from time to time determine and accordingly, the holders of Common Shares do not have pre-emptive rights as such.

No dividends have been declared or paid to date.

## **PRIOR SALES OF COMMON SHARES**

During the twelve-month period ending April 30th, 1969, the following common shares of American Quasar were issued or sold:

- (a) On January 15, 1969, 15,000 common shares were sold for a cash consideration of \$1,605. On April 30, 1969, American Quasar repurchased such shares for \$1,605 in cash and such shares are now held by American Quasar as treasury shares.
- (b) On April 1, 1969, 3,000,000 common shares were issued to the five principal shareholders named under "Principal Shareholders" on page 8 in exchange for the North Texas oil and gas properties.
- (c) On April 1, 1969, Arthur R. Klimchuk subscribed for 11,500 common shares of American Quasar and for 11,500 Share Purchase Warrants of Canadian Quasar at a price of \$3.50 per Unit. (see "Material Contracts and Interest of Management and Others in Material Transactions" on page 9).

## **UNDERWRITING AGREEMENT**

By an underwriting agreement dated the 1st day of April, 1969, as amended June 12, 1969, between Canadian Quasar, American Quasar, Midland-Osler Securities Limited and the principal shareholders referred to on page 8 (hereinafter referred to as the "underwriting agreement"), Midland-Osler Securities Limited (hereinafter called the "Underwriter") has agreed to purchase the 701,000 Units which are offered by this Prospectus at \$3.22 a Unit and has agreed, on its own behalf as principal, to purchase the said Units against delivery of Certificates representing the same on or about the 26th day of June, 1969, and the Underwriter has further agreed to offer such Units to the public at \$3.50 per Unit, subject to the terms and conditions set out in the underwriting agreement. In certain circumstances as fully described in the underwriting agreement, the Underwriter has the right to withdraw from its obligation to purchase the Units offered by this Prospectus but in no event may it purchase only part thereof.

Pursuant to the same agreement, Canadian Quasar has agreed to issue 701,000 Share Purchase Warrants, which Share Purchase Warrants will be held in trust pursuant to a Deposit Agreement dated the 1st day of May, 1969, between American Quasar, Canadian Quasar, the Underwriter and The Royal Trust Company (hereinafter called "the Deposit Agreement"). Pursuant to the terms of the Deposit Agreement the 701,000 Share Purchase Warrants will be delivered to The Royal Trust Company, the trustee under the Warrant Indenture referred to on page 20, on the 26th day of December, 1970, or such earlier date as The Royal Trust Company may be instructed by American Quasar and the Underwriter. Upon the surrender of a Unit Certificate to the transfer agent of the common shares of American Quasar on or before the 26th day of June, 1972, Share Purchase Warrants evidencing the right of the registered owner thereof to purchase a number of shares in the capital of Canadian Quasar equal to the number of shares in American Quasar represented by the Unit Certificate, will be delivered to the registered owner of the Unit Certificate so surrendered, together with a definitive share certificate evidencing the ownership of a number of shares of American Quasar as is represented by such Unit Certificate.

In addition, American Quasar has agreed to grant the Underwriter, for a consideration of \$1,875 an option for a period of five years from the date of its purchase of the Units offered hereby, to purchase at any time or from time to time 37,500 common shares of American Quasar at a price of \$3.50 per share, and Canadian Quasar has agreed to sell the Underwriter 37,500 Share Purchase Warrants, identical to those hereinbefore described, for the sum of \$1,875.

The principal shareholders described on page 8 have agreed with the Underwriter, pursuant to the underwriting agreement, not to dispose of any of the shares in American Quasar, presently owned by them, for a period of three years from the closing time, as defined in the underwriting agreement, without the prior written consent of the Underwriter.

## **USE OF PROCEEDS**

The net proceeds to American Quasar Petroleum Co. from the sale of the securities offered by this Prospectus amounting to approximately \$2,217,220, after deducting issue expenses estimated at \$40,000, will be used for the following purposes:

- (a) \$1,525,150 will be used to purchase 3,245,000 common shares of Canadian Quasar;
- (b) approximately \$588,500 will be used to purchase from the Children's Hospital Charity Inc. of Fort Worth, Texas the oil production payment relating to the North Texas oil and gas properties. The said purchase price of approximately \$588,500 represents the balance owing in respect to the oil production payment as at the 1st day of April, 1969;
- (c) \$72,462.50 will be used to repay bank loans obtained for the initial purchase of 15,000 shares in Canadian Quasar and obtained for the payment of organizational and operating costs and expenses;
- (d) the balance of the net proceeds of approximately \$31,107.50 will be added to the cash resources of American Quasar to be expended in the future for the maintenance and future development of the North Texas oil and gas properties owned by American Quasar.

For further particulars of the purchase of common shares of Canadian Quasar and the purchase of the oil production payment, see "Material Contracts and Interest of Management and Others in Material Transactions" on page 9.

#### OFFICERS AND DIRECTORS

Name and Address	Position	Principal Occupation for past Five Years
David Albert McMahon 6300 Greenway Road Fort Worth, Texas U.S.A.	President and Director	Independent Oil Operator
Wilford Blaine Fultz 1446 Brazos Graham, Texas U.S.A.	Secretary-Treasurer and Director	Independent Oil Operator
Richard Lawrence Lowe 16 Valley Ridge Road Fort Worth, Texas U.S.A.	Vice-President, Assistant Secretary and Director	Petroleum Geologist and Independent Oil Operator
C. O. Ted Collins, Jr. 741 Boyd Street Midland, Texas U.S.A.	Vice-President and Director	Geological Engineer and Independent Oil Operator
Arthur Raphael Klimchuk 49 Butler Crescent Calgary, Alberta	Vice-President and Director	Petroleum Geologist
William Lawrence McInerney 4217 Hockaday Drive Dallas, Texas U.S.A.	Director	Attorney at Law Partner, Turner, Hitchins, McInerney, Webb & Hartnett, Dallas, Texas
Walter Arsdale Schmid, Jr. 8033 North New Braunfels San Antonio, Texas U.S.A.	Director	Mr. Schmid is presently President of Schmid Properties, Inc. and Executive Vice-President of Lonestar Brewing Company. In addition Mr. Schmid was the Chairman of the Executive Committee of Bolte Company and President of North Texas Advertising Company
William Richard Fulton 423 Crescent Boulevard Calgary, Alberta	Director	Investment Dealer, Midland-Osler Securities Limited
Glenn Cyril Speakman 17 Caverley Drive Toronto, Ontario	Director	Manager Corporate Underwritings, Midland-Osler Securities Limited (prior to January, 1965, Student Harvard University, Graduate School of Business Administration)

## MANAGEMENT

The management of American Quasar is well experienced in the oil and gas business. David A. McMahon, the President, Wilford B. Fultz, the Secretary-Treasurer, Richard L. Lowe, a Vice-President and C. O. Ted Collins, Jr., a Vice-President have all been engaged in the oil and gas business as independent oil operators, and individually and together have acquired and own substantial producing oil and gas properties.

Mr. McMahon has been involved in the oil and gas business as an independent oil operator for eleven years. He was the principal shareholder and Manager of El Chorro Drilling Company, a Texas corporation, from 1958 to 1962. Also, he was Chairman of First National Bank of Bonham, Texas from January, 1967, to January, 1968.

Mr. Fultz has participated in the oil and gas business as an independent oil operator for a period of sixteen years. His main experience has been in the acquisition and the operation of producing oil and gas properties. Fultz Oil Company, of which he is the principal shareholder, Vice-President and General Manager, presently operates in excess of 300 producing wells.

Mr. Lowe has been an independent oil operator for a period of twelve years. He has had considerable experience as a consulting petroleum geologist and has been the General Partner in several limited partnerships involved in the exploration and development of oil and gas properties, in which capacity he was involved in originating exploration prospects and the raising of funds for the financing of such exploration.

Mr. Collins is a geological engineer. He was employed as a petroleum engineer by a major oil company from 1960 to 1963, and since that time has carried on business as an independent oil operator.

Mr. Arthur R. Klimchuk, a Vice-President and Director, is a petroleum geologist with fourteen years of exploration experience. He has been employed by several major and independent oil companies operating in Western Canada and also by a firm of consulting geologists in Calgary. His experience includes supervising exploration programs relating to major producing areas in Western Canada. Also, he has supervised surface exploration programs in the Arctic Islands.

## REMUNERATION

No direct remuneration has been paid to directors or senior officers of American Quasar since its incorporation to the date hereof and no direct remuneration is contemplated to be paid to directors or senior officers of American Quasar during the current financial year.

## PRINCIPAL SHAREHOLDERS

The following sets forth each shareholder who owns beneficially or of record, directly or indirectly, 10% or more of the outstanding common shares of American Quasar at April 30, 1969:

Name and Address	Type of Ownership	Number of Shares Owned	Percentage of Class	Percentage of Class After Giving Effect to This Financing
Fultz Oil Company (1) P.O. Drawer 899 Graham, Texas 76046	of record and beneficially	1,350,000	45%	36%
Schmid Properties, Inc. P.O. Box 9681 Fort Worth, Texas 76107	of record and beneficially	450,000	15%	12%
David A. McMahon 2214 Continental National Bank Building Fort Worth, Texas 76102	of record and beneficially	450,000	15%	12%
C. O. Ted Collins, Jr. 620 Vaughn Building Midland, Texas 79701	of record and beneficially	375,000	12.5%	10%
Richard L. Lowe 2214 Continental National Bank Building Fort Worth, Texas 76102	of record and beneficially	375,000	12.5%	10%

(1) Wilford Blaine Fultz of 1446 Brazos, Graham, Texas, owns 40% of the outstanding shares of Fultz Oil Company and therefore beneficially indirectly owns 540,000 shares of American Quasar which constitutes

18% of the present outstanding shares of American Quasar and will constitute 14.40% of such shares after the completion of this financing. Wilford Binkley Fultz of 1202 Cherry Street, Graham, Texas, father of Wilford Blaine Fultz hereinbefore referred to, owns 57.5% of the present outstanding shares of Fultz Oil Company and therefore beneficially indirectly owns 776,250 shares of American Quasar which constitutes 25.875% of the present outstanding shares of American Quasar and will constitute 20.70% of such shares upon the completion of this financing.

As of April 30, 1969, the directors and officers of American Quasar, as a group, beneficially, directly or indirectly owned 67.15% of the outstanding shares of American Quasar and upon the completion of this financing will own 53.72% of such outstanding shares.

Pursuant to the terms of the underwriting agreement referred to on page 6, the principal shareholders referred to above have agreed not to dispose of, without the consent of Midland-Osler Securities Limited, all or any portion of the shares of American Quasar owned by them for a period of three years from the date of closing time of the underwriting agreement, as defined therein.

## **PROMOTERS**

The principal shareholders described on page 8 were responsible for the founding and organizing of American Quasar and as such may be considered promoters of the Company. For details relating to the transfer by them of the North Texas oil and gas properties to American Quasar see "Material Contracts and Interest of Management and Others in Material Transactions" below.

## **MATERIAL CONTRACTS AND INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

American Quasar has entered into the following material contracts in addition to contracts in the ordinary course of business and no transactions have taken place prior to the date of this Prospectus which have materially affected or will materially affect American Quasar, in which any Director, senior officer or principal shareholder of American Quasar has had an interest except as follows:

(1) Pursuant to an exchange agreement dated February 7, 1969, as amended March 31, 1969, between American Quasar and the five principal shareholders named under the heading "Principal Shareholders" on page 8, American Quasar acquired from such shareholders, effective April 1st, 1969, the North Texas oil and gas properties described on pages 3 and 4 in exchange for an aggregate of 3,000,000 common shares of American Quasar, the number of shares received by each of them is as set forth under the heading "Principal Shareholders" on page 8. Such properties were acquired in April, 1966; the aggregate cost thereof to the aforementioned shareholders was \$623,500.

(2) Wilford Blaine Fultz, an officer and director of American Quasar, is a major stockholder, director and officer of Fultz Oil Company, which Company has since April, 1966, operated the North Texas oil and gas properties referred to in paragraph one above pursuant to a standard form of operating agreement which provides, among other things, that Fultz Oil Company shall have those duties which are normally performed by an operator according to the customs and practises followed in the oil and gas industry, and that Fultz Oil Company shall be reimbursed, except for its proportionate share, for all costs incurred in operating such properties, which costs are calculated in accordance with an accounting procedure, the terms of which are generally acceptable in the oil and gas industry in the areas in which the wells are being operated.

(3) A subscription agreement dated the 1st day of April, 1969, between Arthur R. Klimchuk and American Quasar, whereby Arthur R. Klimchuk agreed to purchase 11,500 common shares of American Quasar and 11,500 Share Purchase Warrants of Canadian Quasar, identical to those Share Purchase Warrants of Canadian Quasar offered hereunder, for a total consideration of \$40,250 evidenced by his promissory note payable on the 1st day of April, 1972, or at the election of Arthur R. Klimchuk, in three annual instalments. Upon payment of the promissory note, or any instalment payment thereon, American Quasar is required to issue and deliver to Arthur R. Klimchuk the number of fully paid and non-assessable common shares of its capital stock which such payment will purchase at \$3.50 per share. The said 11,500 Share Purchase Warrants shall be delivered by American Quasar to Arthur R. Klimchuk on the same day the Share Purchase Warrants offered hereunder are deliverable to the registered owners of Units.

(4) Agreement dated the 1st day of April, 1969, between Canadian Quasar and American Quasar whereby American Quasar agreed to purchase from Canadian Quasar, at the closing time as defined in the underwriting agreement referred to at page 6, 3,245,000 common shares in the capital stock of Canadian Quasar for a total consideration of \$1,525,150.

(5) An Option Agreement dated the 1st day of April, 1969, between American Quasar, Children's Hospital Charity, Inc., and Continental National Bank of Fort Worth, whereby Children's Hospital Charity, Inc.,

granted an option to American Quasar exercisable on or before 90 days from the date of the agreement to purchase the reserved oil production payment described on page 4, for a consideration of the remaining unpaid amount of such production payment on April 1, 1969 of approximately \$588,500 plus interest at 7% per annum from April 1, 1969, to date of purchase.

(6) An underwriting agreement dated the 1st day of April, 1969, between Canadian Quasar, American Quasar, the five principal shareholders referred to in paragraph 1 above and Midland-Osler Securities Limited. (see "Underwriting Agreement" on page 6).

(7) A Deposit Agreement between American Quasar, Canadian Quasar, The Royal Trust Company and Midland-Osler Securities Limited whereby the Share Purchase Warrants offered hereunder are to be held in trust by The Royal Trust Company until the 26th day of December, 1970, or until such earlier date as The Royal Trust Company may be instructed by American Quasar and Midland-Osler Securities Limited, at which time the said Share Purchase Warrants will be delivered to The Royal Trust Company under the Warrant Indenture (see "Material Contracts and Interest of Management and Others in Material Transactions" on page 20) and thereby be available for delivery to the registered owners of the Units being offered hereunder upon the surrender of the Unit Certificates representing such Units.

Copies of the above agreements may be inspected during ordinary business hours at the head office of Canadian Quasar, 590 Crown Trust Building, Calgary, Alberta, during the course of primary distribution to the public of the securities offered by this prospectus and for a period of 30 days thereafter.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of American Quasar are Arthur Young, Clarkson, Gordon & Co., Chartered Accountants, 8th Floor, Elveden House, Calgary, Alberta.

The Royal Trust Company at its offices in the cities of Calgary and Toronto is the transfer agent and registrar for the Units being offered hereunder and the shares of American Quasar.

#### **ESCROWED SHARES**

2,000,000 (being 66 $\frac{2}{3}$  %) of the 3,000,000 common shares without par value of American Quasar presently outstanding will be subject to an escrow agreement dated June 19, 1969 between the Company, each of the five holders of such common shares and The Royal Trust Company, as escrow agent, which will provide that such 2,000,000 common shares will be irrevocably placed in escrow with the escrow agent until released from escrow upon the prior written consent of the Ontario Securities Commission, the Quebec Securities Commission, the Alberta Securities Commission and the British Columbia Securities Commission and that until so released such common shares will not be hypothecated, pledged, alienated or transferred without the prior written consent of all four Commissions.

# AMERICAN QUASAR PETROLEUM CO.

(Incorporated under the laws of the State of Texas)

**BALANCE SHEET AND  
PRO FORMA CONSOLIDATED BALANCE SHEET  
APRIL 1, 1969  
(Canadian dollars)**

**ASSETS**

	Balance sheet	Pro forma consolidated balance sheet (Note 1)
<b>CURRENT:</b>		
Cash	\$ 1,605	\$1,643,453
Accounts receivable	—	112,247
	<u>1,605</u>	<u>1,755,700</u>
<b>INVESTMENT IN SHARES OF QUASAR PETROLEUM LTD. AT COST</b>	<u>51,077</u>	—
<b>FIXED:</b>		
Furniture and equipment at cost	—	18,071
Less accumulated depreciation	—	3,614
	<u>—</u>	<u>14,457</u>
<b>PETROLEUM PROPERTIES AND EQUIPMENT AT COST (Note 3):</b>		
Producing	623,500	1,212,000
Non-producing	—	122,323
	<u>623,500</u>	<u>1,334,323</u>
<b>OTHER:</b>		
Deposits	—	16,871
6% note receivable from officer re purchase of shares of subsidiary	—	8,250
Organization expenses	—	2,400
	<u>—</u>	<u>27,521</u>
	<u>\$676,182</u>	<u>\$3,132,001</u>
<b>LIABILITIES</b>		
<b>CURRENT:</b>		
Bank loan	\$ 51,077	\$ 68,330
Accounts payable	—	173,754
Due to shareholders	—	16,144
	<u>51,077</u>	<u>258,228</u>
	<u>—</u>	<u>31,178</u>
<b>MINORITY INTEREST</b>		
<b>SHAREHOLDERS' EQUITY (Notes 1 and 4):</b>		
Share capital —		
Authorized — 10,000,000 common shares of no par value		
Issued —		
Balance sheet — 3,015,000 shares	625,105	—
Pro forma consolidated balance sheet — 3,716,000 shares	—	2,882,325
Less 15,000 treasury shares at cost	—	1,605
Less share issue expenses	—	2,880,720
	<u>—</u>	<u>40,000</u>
Contributed surplus	<u>—</u>	<u>2,840,720</u>
On behalf of the Board:		
(Signed) C. O. TED COLLINS, JR., Director.	<u>\$676,182</u>	<u>\$3,132,001</u>
(Signed) DAVID ALBERT McMAHON, Director.		

(See accompanying notes)

# AMERICAN QUASAR PETROLEUM CO.

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Period from Incorporation of the Company on January 15, 1969 to April 1, 1969

Source of funds:			
Issue of share capital			\$ 625,105
Application of funds:			
Purchase of petroleum properties and equipment	\$ 623,500		
Purchase of shares of Quasar Petroleum Ltd.	51,077		674,577
Working capital deficiency, April 1, 1969			\$ 49,472

# AMERICAN QUASAR PETROLEUM CO.

## NOTES TO BALANCE SHEET AND PRO FORMA CONSOLIDATED BALANCE SHEET

APRIL 1, 1969

### 1. Pro forma transactions

An underwriting agreement dated April 1, 1969 was entered into between American Quasar Petroleum Co. ("American Quasar"), Quasar Petroleum Ltd. ("Canadian Quasar") and Midland-Osler Securities Limited pertaining to the public offering of 701,000 common shares of American Quasar and warrants to purchase 701,000 common shares of Canadian Quasar. The offering will be in the form of Unit Certificates at \$3.50 each which comprise one share of American Quasar and a right to receive a warrant to purchase one share of Canadian Quasar (with the total proceeds being for the account of American Quasar). Under the provisions of the underwriting agreement, American Quasar has agreed to grant a five year option to Midland-Osler to acquire 37,500 common shares at a price of \$3.50 per share. The cash consideration for granting the option is \$1,875. Canadian Quasar has agreed to sell 37,500 warrants to Midland-Osler for a consideration of \$1,875. In addition, American Quasar entered into a subscription agreement with an officer whereby the officer has subscribed for 11,500 common shares of the Company at a price \$3.50 per share (see Note 4) and Canadian Quasar agreed to issue 11,500 warrants to the officer for no cash consideration.

By agreement dated April 1, 1969 American Quasar also agreed to purchase 3,245,000 common shares from the treasury of Canadian Quasar for a consideration of \$1,525,150. This agreement is subject to the receipt by American Quasar of the proceeds from the underwriting agreement described above.

American Quasar also entered into an agreement on April 1, 1969 with the owner of an oil production payment (which oil production payment is payable out of production from American Quasar's producing properties) whereby American Quasar has a 90 day option to acquire the oil production payment at a cost based on the unpaid balance on April 1, 1969 of approximately \$588,500. Under the terms of the underwriting agreement, American Quasar is committed to acquire this oil production payment.

On April 30, 1969 American Quasar repurchased 15,000 of its common shares at the original purchase price to the shareholder of \$1,605.

The pro forma consolidated balance sheet gives effect to:

- (a) The sale of 701,000 Unit Certificates to Midland-Osler at \$3.22 per share (\$3.50 to the public) or a net consideration to American Quasar of \$2,257,220.
- (b) The payment of expenses in connection with the underwriting estimated at \$40,000.
- (c) The granting of a five year option to Midland-Osler for a consideration of \$1,875 to acquire 37,500 common shares of American Quasar at \$3.50 per share and the crediting of such proceeds to contributed surplus.
- (d) The sale by Canadian Quasar of 37,500 of its warrants to Midland-Osler for a consideration of \$1,875.
- (e) The purchase of an oil production payment payable out of production from the producing properties of American Quasar for a consideration of \$588,500.
- (f) The repayment of bank loans of \$51,077 by American Quasar and \$15,000 by Canadian Quasar.
- (g) The repurchase by American Quasar of 15,000 of its common shares for a consideration of \$1,605, such shares to be held as treasury shares.
- (h) The issue by Canadian Quasar of 11,500 of its warrants to an officer for no cash consideration.
- (i) The purchase of 3,245,000 common shares of Canadian Quasar for a consideration of \$1,525,150 resulting in that company becoming a 98.05% owned subsidiary and the consolidation of the pro

forma balance sheet of Canadian Quasar, after giving effect to the pro forma transactions of that company as indicated above. The excess (\$8,553) of the cost of shares of Canadian Quasar over the equity in its net book value is attributable to non-producing properties and is included therein in the pro forma consolidated balance sheet.

## 2. Translation of accounts

The accounts of American Quasar have been translated to Canadian funds on the basis that \$1 U.S. is equivalent to \$1.07 Canadian.

## 3. Acquisition of petroleum properties

On April 1, 1969 American Quasar acquired from its shareholders certain producing petroleum properties and equipment in Texas, U.S.A. in exchange for 3,000,000 common shares. The cost of the properties and equipment to the shareholders was \$623,500 and such amount represents the consideration for the shares issued.

## 4. Share capital

Since the date of incorporation, January 15, 1969, to April 1, 1969 the following common shares have been issued:

	Shares	Consideration
For cash	15,000	\$ 1,605
For petroleum properties (see Note 3)	<u>3,000,000</u>	<u>623,500</u>
	<u><u>3,015,000</u></u>	<u><u>\$625,105</u></u>

On April 1, 1969 American Quasar entered into a subscription agreement with an officer under which the officer has subscribed for 11,500 common shares of American Quasar at \$3.50 per share in exchange for his promissory note in the amount of \$40,250. The promissory note is payable on April 1, 1972 or, at the election of the officer, in three annual instalments commencing April 1, 1970. Under the laws of the State of Texas American Quasar cannot issue shares in exchange for a promissory note until paid and accordingly the subscription has not been recorded in the accounts.

After giving effect to the transactions indicated in Note 1, the following shares are reserved:

	American Quasar	Canadian Quasar
For the exercise of a five year option granted to Midland-Osler to acquire shares at \$3.50 each	37,500	
For issue upon payment of a note receivable from an officer of \$40,250 (\$3.50 per share)	11,500	
For the exercise of share purchase warrants to acquire shares at \$2.50 each until June 26, 1971 and \$5.00 each thereafter to June 26, 1972 on which date the warrants expire	<u>49,000</u>	<u>750,000</u>
	<u><u>49,000</u></u>	<u><u>750,000</u></u>

## AUDITORS' REPORT

To the Directors of

American Quasar Petroleum Co.

We have examined the balance sheet and pro forma consolidated balance sheet of American Quasar Petroleum Co. as at April 1, 1969 and the statement of source and application of funds for the period from incorporation of the Company on January 15, 1969, to April 1, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion:

(a) The accompanying balance sheet presents fairly the financial position of the Company at April 1, 1969 and

(b) The accompanying pro forma consolidated balance sheet presents fairly the financial position of the Company and its pro forma subsidiary at April 1, 1969, after giving effect as of that date to the changes set forth in Note 1,

(c) The accompanying statement of source and application of funds presents fairly the source and application of funds of the Company for the period January 15, 1969, to April 1, 1969, all in conformity with generally accepted accounting principles applied on a consistent basis.

Calgary, Canada.  
May 16, 1969.

Arthur Young, Clarkson, Gordon & Co.  
Chartered Accountants.

**PART II**  
**QUASAR PETROLEUM LTD.**

Quasar Petroleum Ltd., ("Canadian Quasar") was incorporated by Memorandum of Association on January 16, 1969, under the laws of the Province of Alberta. Thereafter, by Special Resolution, the Memorandum of Association was amended effective as of February 26, 1969, so as to alter the Company's authorized capital by dividing all of the 10,000,000 shares with a par value of \$1.00 each into 40,000,000 shares with par value of 25c each. The Memorandum of Association was further amended by Resolution of Directors effective March 4, 1969, cancelling 30,000,000 unissued shares and thereby changing the authorized capital to \$2,500,000 divided into 10,000,000 shares having a par value of 25c each.

On April 1, 1969, Canadian Quasar acquired pursuant to a share exchange agreement all of the issued and outstanding shares of Galleon Oil Co. Ltd. ("Galleon"), incorporated on January 25, 1968 under the laws of the Province of Alberta. (For further details relating to the share exchange agreement see "Material Contracts and Interest of Management and Others in Material Transactions" on page 20).

The head office and principal office of Canadian Quasar is at 590 Crown Trust Building, Calgary 2, Alberta, Canada.

**DESCRIPTION OF BUSINESS**

Canadian Quasar directly and through its wholly-owned subsidiary, Galleon, intends to carry on the business of acquiring, producing and selling petroleum, natural gas, related hydrocarbons and other natural resources in Western Canada and Alaska and it intends to use for that purpose the \$1,525,150 to be received from American Quasar upon completion of this financing in payment of the purchase price of the 3,245,000 shares of Canadian Quasar being purchased by American Quasar (see "Material Contracts and Interest of Management and Others in Material Transactions" on page 20). American Quasar intends that any exploration and development by it in Canada will be only through or as a participant with Canadian Quasar, and it will use funds generated from the sale of oil and gas from its producing properties for such purposes. (see "Introductory" on page 3).

The methods by which Canadian Quasar intends to acquire oil, natural gas, related hydrocarbons and other natural resources include:

1. Purchases of oil and gas properties;
2. Exploration drilling on what in the Company's opinion constitute sound geological and/or geophysical prospects. In this connection it is planned that Canadian Quasar will conduct drilling operations as the General Partner of limited partnerships, whereby Canadian Quasar will originate the exploration prospects, acquire the rights to drill, supervise the drilling and completion of wells, and the producing and marketing of production therefrom. The limited partners in consideration of their participation will earn substantial portions of the equity position for the financing of such exploration. It is also planned that Canadian Quasar will participate with other oil companies in the drilling of exploration prospects originated by Canadian Quasar or others which in its opinion have opportunities of merit, and on occasion may drill such prospects without partners. It is also contemplated that Canadian Quasar will undertake the direction of third party exploration funds on a management fee and/or overriding royalty basis if and when such funds become available.
3. Farmouts to others of oil and gas interests acquired by Canadian Quasar whereby an interest in any production therefrom will be retained by Canadian Quasar.
4. Evaluation and acquisition of what in the opinion of the Company constitute favourably located mining claims and participation with others in the development of such claims.

**OIL AND GAS PROPERTIES**

Canadian Quasar and its wholly owned subsidiary, Galleon, hold oil and gas leases and permits in Alberta, Saskatchewan and the Arctic Islands. These oil and gas leases and permits are located in the following areas:

Geographical Area	Type of Ownership	Gross Acres (1)	Interest Expressed as Net Acres (2)
<b>Arctic Islands</b>			
Prince Leopold Island	Permit	176,952	176,952
Young Island	Permit	593,002	593,002
South Bathurst Island	Permit	238,730	238,730
		1,008,684	1,008,684

**Alberta**

Leduc "A" in Township 49, Range 29, West of the Fourth Meridian	Leasehold	800	200
Leduc "C" in Township 50, Range 26, West of the Fourth Meridian	Leasehold	320	70
No. Golden Spike in Township 52, Range 27, West of the Fourth Meridian	Leasehold	1,280	160
		2,400	430

**Saskatchewan**

Frobisher	Leasehold	160	160
Kenosee	Leasehold	1,920	232
Queensdale	Leasehold	1,120	120
Warmley	Leasehold	800	170
Wier Hills	Leasehold	1,280	108
		5,280	790

- (1) "Gross Acres" represents all acres in respect of which Canadian Quasar and Galleon have working interests.
- (2) "Net Acres" represents the aggregate of the working interests of Canadian Quasar and Galleon in the Gross Acres.

**Wells Drilled**

Since incorporation on January 25, 1968, Galleon conducted and supervised geological and geophysical exploration programs in Central Alberta and Southeast Saskatchewan and participated in the drilling of two wells in Alberta and four wells in Saskatchewan, all of which were subsequently abandoned as dry holes. Canadian Quasar has not drilled or participated in the drilling of any wells since its incorporation on January 16, 1969.

The amounts expended by Galleon on drilling and exploration activities during the last preceding financial years were as follows:

Period	Amount
12 months ended December 31, 1968	\$45,778.35
4 months ended April 30, 1969	\$56,595.73

The following is a summary of reports dated March 24, 1969 and March 31, 1969, by James A. Lewis Engineering Co. Ltd., Calgary, Alberta, relating to the oil and gas properties owned by Canadian Quasar and Galleon respectively.

The properties owned are located in the Provinces of Alberta and Saskatchewan and in the Canadian Arctic Islands. All of these properties are considered prospective of petroleum and natural gas, but have not been appraised on the basis of their specific geological characteristics. Although specific geological targets underly most of the Alberta and Saskatchewan targets, the lands have been assigned "going rate" values since the areas controlled by Canadian Quasar and Galleon are too small to offer interesting farmout potential.

The Arctic property owned by Canadian Quasar and Galleon is located in the Barrow Strait of the Canadian Arctic. This area is in the earliest stages of exploration and hence, little is known of the underlying sediments. The value assigned each acreage block is based on prices paid in recent transactions and our knowledge of interests shown by prospective purchasers.

In summation we estimated that the petroleum and natural gas rights owned by Quasar Petroleum and Galleon in these lands could be sold for approximately \$615,000. This value is a reflection of the current market for such properties rather than a measure of their intrinsic value or their potential worth to Canadian Quasar and Galleon.

(A copy of these reports is on file at the offices of Canadian Quasar at 590 Crown Trust Building, Calgary 2, Alberta, and at the offices of each of the Securities Commissions in those Provinces of Canada in which these securities may be offered for sale and are available for public examination).

## PRELIMINARY EXPENSES

Since the incorporation of Canadian Quasar there has been expended a total of \$10,000 in respect to preliminary expenses, all of which related to administrative expenses which include mainly costs of incorporation and organization, legal, travel and accommodation, but no part of such expenses was for remuneration to the officers and directors of American Quasar, other than the salary paid to Arthur R. Klimchuk since April 1, 1969, pursuant to the employment contract referred to on page 20 hereof. Since incorporation Canadian Quasar has not incurred any development expenses in respect to its oil and gas properties and it is not anticipated that Canadian Quasar will incur any further preliminary expenses.

## CAPITALIZATION

<b>Capital Stock</b>	<u>Authorized</u>	<u>Outstanding as at April 1, 1969</u>	<u>Outstanding as at April 30, 1969</u>	<u>Outstanding as at April 30, 1969 after giving effect to the sale of common shares to American Quasar (1)</u>
Common shares par value 25c each	10,000,000 shs.	80,000 shs.	80,000 shs.	3,325,000 shs. (2)
	\$2,500,000	\$20,000	\$20,000	831,250
Contributed Surplus		\$51,827	\$51,827	\$767,602

(1) See "Material Contracts and Interest of Management and Others in Material Transactions" on page 20.

(2) As at April 30, 1969, 750,000 common shares are reserved for the exercise of Share Purchase Warrants entitling the registered owners thereof to purchase common shares at \$2.50 per share up to and including June 26, 1971, and thereafter at \$5.00 per share up to and including June 26, 1972. See "Share Purchase Warrants" on page 17.

## COMMON SHARES

All of the shares of Canadian Quasar are of the same class being Common Shares having a par value of 25c each. All of the Common Shares rank equally as to entitlement to dividends, voting rights (each Share carrying one vote at all meetings of shareholders) and repayment on liquidation or other distribution. All issued Common Shares and the Common Shares offered by this prospectus have been or will be issued as fully paid and non-assessable shares. Further Common Shares may be allotted and issued at such times, in such manner and to such persons as the directors of Canadian Quasar may from time to time determine and accordingly the holders of Common Shares do not have pre-emptive rights as such.

No dividends have been declared or paid.

## PRIOR SALES OF COMMON SHARES

During the twelve-month period ending April 30, 1969, the following common shares of Canadian Quasar were issued or sold or agreed to be sold:

- (a) On 21 February, 1969, 3 shares of the capital stock of the Company (which upon the subdivision of the shares of the Company became 12 shares) were issued at a price of \$5.00 per share to the original subscribers as nominees of American Quasar.
- (b) On 5 March, 1969, 14,988 common shares were sold to American Quasar for \$51,062.50.
- (c) On April 1, 1969, 50,000 common shares were exchanged for all the issued and outstanding shares of Galleon. For further particulars relating to the share exchange refer to "Material Contracts and Interest of Management and Others in Material Transactions" on page 20.
- (d) On April 1, 1969, 15,000 common shares were sold at 55c per share to Arthur R. Klimchuk. For further particulars see "Material Contracts and Interest of Management and Others in Material Transactions" on page 20.
- (e) By agreement dated April 1, 1969, Canadian Quasar agreed to sell to American Quasar 3,245,000 common shares for \$1,525,150 or 47c per share. For further particulars refer to "Material Contracts and Interest of Management and Others in Material Transactions" on page 20.

## **SHARE PURCHASE WARRANTS**

The Share Purchase Warrants of Canadian Quasar being offered hereunder are issued under and pursuant to an Indenture between Canadian Quasar and The Royal Trust Company dated May 1, 1969, ("Warrant Indenture") which establishes and governs the rights under the Share Purchase Warrants and provides among other things:

- (a) the registered owner of a Share Purchase Warrant Certificate is entitled, at any time on or before June 26, 1972, upon surrender to The Royal Trust Company of the Share Purchase Warrant Certificate accompanied by a duly executed subscription, to purchase all or any portion of the number of common shares having a par value of 25c of the capital stock of Canadian Quasar equal to the number of Share Purchase Warrants as is evidenced by the surrendered Share Purchase Warrant Certificate, at a price payable in cash of \$2.50 per share if purchased on or before June 26, 1971; and \$5.00 per share if purchased thereafter and on or before June 26, 1972;
- (b) in the event the capital stock of Canadian Quasar shall be reclassified, consolidated, or subdivided, or if Canadian Quasar shall be reorganized, consolidated or merged with another corporation, or if Canadian Quasar shall declare and pay a stock dividend, or if all or substantially all of the assets of Canadian Quasar shall be sold or exchanged, the owner of a Share Purchase Warrant who thereafter exercises the same as therein provided shall be entitled to receive the same number and kind of shares or the same amount of other property, cash or securities, as such owner would have been entitled to receive upon the happening of such event if such owner had been immediately prior to such event the holder of record of the number of common shares receivable upon the exercise of such Share Purchase Warrant;
- (c) in the event Canadian Quasar shall at any time, or from time to time, issue (otherwise than by a stock dividend) and sell common shares of Canadian Quasar for cash at a price per share of less than the subscription price in effect immediately prior to the time of such issue and sale, or if Canadian Quasar shall grant any rights to purchase its common shares (other than to employees of Canadian Quasar or any of its subsidiaries pursuant to stock option plans approved by the Directors of Canadian Quasar) or issue securities convertible into its common shares, at a cash price per share less than the subscription price then in effect, then the number of shares to be received by the registered owner of the Share Purchase Warrant upon the exercise of the same, shall be appropriately and proportionately adjusted.
- (d) Canadian Quasar will give at least ten days' written notice to the registered holder of the Share Purchase Warrant Certificates of the record date or effective date of (i) any dividend payments on its common shares; (ii) the issuance to holders of common shares of any pro rata rights to subscribe for additional shares; (iii) any repayment of capital on its common shares; (iv) any consolidation, arrangement or merger with any other company (other than a subsidiary) or (v) any sale or lease of a substantial part of its undertaking;
- (e) no person who is a resident of the United States of America or its territories or possessions may subscribe for common shares under the Share Purchase Warrants and Canadian Quasar will not be obligated to accept subscriptions from any person or his agent who appears to be or who Canadian Quasar has reason to believe is so resident;
- (f) no owner of a Share Purchase Warrant will be entitled to receive on the exercise of such Share Purchase Warrant any certificate for a fraction of a common share, but Canadian Quasar may, at its option, in lieu of delivering such certificate either adjust such fractional interest by a cash payment or by the issue of a non-voting and non-dividend bearing scrip certificate;
- (g) The registered holder of the Warrant Certificate shall be entitled to examine a copy of the Warrant Indenture at the office of The Royal Trust Company in the City of Calgary, or in the City of Toronto, Canada.

## **USE OF PROCEEDS FROM SALE OF SHARES TO AMERICAN QUASAR**

The proceeds to Canadian Quasar from the sale of 3,245,000 common shares to American Quasar amounting to \$1,525,150 will be used as follows:

- (a) approximately \$15,000 to repay a bank loan obtained for the payment of organizational and operating costs and expenses;
- (b) approximately \$150,000 for geophysical evaluation of geological prospects in the Province of Alberta;
- (c) approximately \$75,000 for geological evaluations of prospective oil and gas properties in Alberta, Saskatchewan, British Columbia and the Northwest Territories;

- (d) approximately \$300,000 for joint drilling ventures with other companies in the Provinces of Alberta and Saskatchewan;
- (e) approximately \$75,000 for the evaluation of mineral prospects in the Provinces of Saskatchewan, British Columbia and the Yukon Territory; and
- (f) the balance of approximately \$910,150 will be added to the working funds of Canadian Quasar and will be used in carrying on a program of acquisition, exploration and development of those additional interests management feels are most favourable for the discovery of commercial petroleum, natural gas, related products and other minerals. Pending the use of these funds in this manner the \$910,150 balance will be deposited with the Company's bankers or invested in trustee securities or their equivalent.

### OFFICERS AND DIRECTORS

Name and Address	Position	Principal Occupation for past Five Years
Wilford Blaine Fultz 1446 Brazos Graham, Texas U.S.A.	President and Director	Independent Oil Operator
C. O. Ted Collins, Jr. 741 Boyd Street Midland, Texas U.S.A.	Secretary-Treasurer and Director	Geological Engineer and Independent Oil Operator
David Albert McMahon 6300 Greenway Road Fort Worth, Texas U.S.A.	Vice-President, Assistant-Secretary and Director	Independent Oil Operator
Richard Lawrence Lowe 16 Valley Ridge Road Fort Worth, Texas U.S.A.	Vice-President and Director	Petroleum Geologist and Independent Oil Operator
Arthur Raphael Klimchuk 49 Butler Crescent Calgary, Alberta	Vice-President, General Manager and Director	Petroleum Geologist
Walter Arsdale Schmid, Jr. 8033 North New Braunfels San Antonio, Texas U.S.A.	Director	Mr. Schmid is presently President of Schmid Properties, Inc. and Executive Vice-President of Lonestar Brewing Company. In addition Mr. Schmid was the Chairman of the Executive Committee of Bolte Company and President of North Texas Advertising Company
William Richard Fulton 423 Crescent Boulevard Calgary, Alberta	Director	Investment Dealer, Midland-Osler Securities Limited
Glenn Cyril Speakman 17 Caverley Drive Toronto, Ontario	Director	Manager Corporate Underwritings, Midland-Osler Securities Limited (prior to January, 1965, Student, Harvard University, Graduate School of Business Administration)

For further information relating to the management of Canadian Quasar see "Management" on page 8.

### REMUNERATION

No direct remuneration was paid to the directors or senior officers of Canadian Quasar from its incorporation to April 1, 1969, which is the effective date of an employment contract with Mr. Arthur R. Klimchuk. Under the provisions of such employment contract Mr. Klimchuk has agreed to devote his full time and attention to the business and affairs of Canadian Quasar for a period of three years for which he is paid \$72,000, or \$24,000 per year. No direct remuneration is contemplated to be paid to directors or senior officers of Canadian Quasar other than to Mr. Klimchuk, under the employment contract, during the current financial year.

## PRINCIPAL SHAREHOLDERS

The following table lists each shareholder who owns beneficially, directly or indirectly, and of record 10% or more of the outstanding common shares of Canadian Quasar:

Name and Address	Type of Ownership	As at April 30, 1969		As at April 30, 1969 after giving effect to the sale of 3,245,000 common shares to American Quasar	
		Number of Shares Owned	Percentage of Class	No. of Shares Owned	Percentage of Class
American Quasar (1) 2214 Continental National Bank Building Fort Worth, Texas U.S.A.	of record and beneficially	15,000	18.75	3,260,000	98.05
Wilford Blaine Fultz 1446 Brazos Graham, Texas U.S.A.	of record and beneficially	9,000	11.25	9,000	.27
David Albert McMahon 6300 Greenway Road Fort Worth, Texas U.S.A.	of record and beneficially	9,000	11.25	9,000	.27
Richard Lawrence Lowe 16 Valley Ridge Road Fort Worth, Texas U.S.A.	of record and beneficially	9,000	11.25	9,000	.27
C. O. Ted Collins, Jr. 741 Boyd Street Midland, Texas U.S.A.	of record and beneficially	9,000	11.25	9,000	.27
Arthur Raphael Klimchuk 49 Butler Crescent Calgary, Alberta	of record and beneficially	20,000	25	20,000	.60
Schmid Properties, Inc. Box 9681 Fort Worth, Texas U.S.A.	of record and beneficially	9,000	11.25	9,000	.27

(1) The principal shareholders of American Quasar are as set forth on page 8.

As at April 30, 1969, the senior officers and directors as a group beneficially owned, directly or indirectly, 61,490 common shares of Canadian Quasar representing 76.86% of the common shares outstanding and upon the completion of this financing the senior officers and directors as a group will beneficially own, directly or indirectly 61,490 common shares of Canadian Quasar representing 1.85% of the outstanding shares of Canadian Quasar.

Assuming that all outstanding Warrants were exercised and after giving effect to the sale of 3,245,000 common shares to American Quasar, American Quasar would own beneficially and of record 80% of the then issued common shares of Canadian Quasar.

Pursuant to the terms of the underwriting agreement referred to on page 6 hereof, American Quasar has agreed not to dispose, without the consent of Midland-Osler Securities Limited, of the shares of Canadian Quasar owned by it for a period of two years from the closing time of the underwriting agreement, as defined therein.

## PROMOTERS

The principal shareholders described above, other than Arthur R. Klimchuk, were responsible for the founding and organization of Canadian Quasar and as such may be considered to be the promoters of the Company. (For particulars of transactions between the promoters and the Company see items 1 to 4 under the heading "Material Contracts and Interest of Management and Others in Material Transactions" on page 20).

## **MATERIAL CONTRACTS AND INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Canadian Quasar has entered into the following material contracts in addition to contracts in the ordinary course of business and no material transactions have taken place prior to the date of this Prospectus which have materially affected or will materially affect Canadian Quasar in which any director, senior officer or principal shareholder of Canadian Quasar has had an interest except as follows:

1. On April 1st, 1969, Canadian Quasar, in consideration of the transfer to it of all of the outstanding shares of Galleon, issued, as fully paid and non-assessable, an aggregate of 50,000 shares to Arthur R. Klimchuk, Wilford Blaine Fultz, David Albert McMahon, Richard Lawrence Lowe and C. O. Ted Collins, Jr., who were all of the shareholders of Galleon and each of whom are officers and directors of Galleon, Canadian Quasar and American Quasar. Having regard to the value of the oil and gas properties owned by Galleon as set forth in the report of James A. Lewis Engineering Co. Ltd. referred to on page 15, the value of the assets of Galleon as at the date of the issuance of the said 50,000 shares exceeded its liabilities by approximately \$58,323.00 and accordingly the value received by Canadian Quasar for the said 50,000 shares was approximately \$1.166 per share. The aggregate cost of all of the outstanding shares of Galleon to Messrs. Klimchuk, Fultz, McMahon, Lowe and Collins was \$10,000.
2. Agreement dated April 1st, 1969, between Canadian Quasar and American Quasar whereby American Quasar agreed to purchase from Canadian Quasar at the closing time of the underwriting agreement referred to at page 6 3,245,000 common shares at a price of 47c per share for a total consideration of \$1,525,150.
3. Employment contract dated April 1st, 1969, with Arthur R. Klimchuk. (See "Remuneration" on page 18).
4. Subscription agreement dated April 1st, 1969, between Canadian Quasar and Arthur R. Klimchuk pursuant to which Canadian Quasar issued 15,000 shares to Arthur R. Klimchuk for a total price of \$8,250 or 55c per share, and received in full payment therefor the promissory note of Arthur R. Klimchuk in the principal amount of \$8,250 payable on the 1st day of April, 1972, or at the election of Arthur R. Klimchuk in three annual instalments.
5. Sale of 14,988 common shares of Canadian Quasar on March 5th, 1969 to American Quasar for an aggregate cash consideration of \$51,062.50.
6. The underwriting agreement dated April 1, 1969, between American Quasar, Canadian Quasar, the principal shareholders described on page 6 and Midland-Osler Securities Limited. (See "Underwriting Agreement" on page 6).
7. Warrant Indenture dated May 1, 1969 between Canadian Quasar and The Royal Trust Company. (See "Share Purchase Warrants" on page 17).
8. Deposit agreement dated the 1st day of May, 1969, between American Quasar, Canadian Quasar, Midland-Osler Securities Limited and The Royal Trust Company. (For particulars of such agreement see "Material Contracts and Interest of Management and Others in Material Transactions" on page 9).

Copies of the above agreements may be inspected during ordinary business hours at the head office of Canadian Quasar, 590 Crown Trust Building, Calgary, Alberta, during the course of primary distribution to the public of the securities offered by this Prospectus and for a period of 30 days thereafter.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of Canadian Quasar are Arthur Young, Clarkson, Gordon & Co., Chartered Accountants, 8th Floor, Elveden House, Calgary, Alberta.

The Royal Trust Company at its offices in the cities of Calgary and Toronto is the transfer agent and registrar for the Share Purchase Warrants being offered hereunder and the shares of Canadian Quasar.

## **QUASAR PETROLEUM LTD.**

(Incorporated under the laws of the Province of Alberta)

## **AND ITS SUBSIDIARY**

**CONSOLIDATED BALANCE SHEET AND  
PRO FORMA CONSOLIDATED BALANCE SHEET**

APRIL 1, 1969

(Canadian dollars)

## **ASSETS**

	Consolidated balance sheet	Pro forma consolidated balance sheet (Note 1)
<b>CURRENT:</b>		
Cash	\$ 77,060	\$1,589,085
Accounts receivable	112,247	112,247
	<hr/>	<hr/>
<b>FIXED:</b>		
Furniture and equipment at cost	189,307	1,701,332
Less accumulated depreciation	18,071	18,071
	3,614	3,614
	<hr/>	<hr/>
	14,457	14,457
	<hr/>	<hr/>
<b>NON-PRODUCING OIL AND GAS PROPERTIES AT COST</b>	113,770	113,770
<b>OTHER:</b>		
Refundable deposits	16,871	16,871
6% note receivable from officer re purchase of shares	8,250	8,250
Organization expenses	2,400	2,400
	<hr/>	<hr/>
	27,521	27,521
	<hr/>	<hr/>
	\$345,055	\$1,857,080

## **LIABILITIES**

## CURRENT:

Bank loans	\$ 83,330	\$ 68,330
Accounts payable	173,754	173,754
Due to shareholders	16,144	16,144
	273,228	258,228

## **SHAREHOLDERS' EQUITY (Notes 1 and 3):**

#### **Share capital —**

<b>Authorized</b>	— 10,000,000 common shares of a par value of \$.25 each	
<b>Issued</b>	—	
Balance sheet	— 80,000 shares	20,000
Pro forma consolidated balance sheet	— 3,325,000 shares	831,250
<b>Contributed surplus</b>		51,827
On behalf of the Board:		71,827
		1,598,852
		2,015,652
		21,857,330

(See accompanying notes)

**QUASAR PETROLEUM LTD.**  
AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**  
**Period from Incorporation of the Company on January 16, 1969 to April 1, 1969**

Source of funds:			
Issue of share capital			\$ 71,827
Application of funds:			
Purchase of fixed assets and non-producing oil and gas properties	\$ 128,227		
Purchase of other assets	27,521		155,748
Working capital deficiency, April 1, 1969			<u>\$ 83,921</u>

**QUASAR PETROLEUM LTD.**

**NOTES TO CONSOLIDATED BALANCE SHEET AND PRO FORMA CONSOLIDATED  
BALANCE SHEET**

**APRIL 1, 1969**

**1. Pro forma transactions**

An underwriting agreement dated April 1, 1969 was entered into between Quasar Petroleum Ltd. ("Canadian Quasar"), American Quasar Petroleum Co. ("American Quasar") and Midland-Osler Securities Limited pertaining to the public offering of 701,000 common shares of American Quasar and warrants to purchase 701,000 common shares of Canadian Quasar. The offering will be in the form of Unit Certificates at \$3.50 each which comprise one share of American Quasar and a right to receive a warrant to purchase one share of Canadian Quasar (with the total proceeds being for the account of American Quasar). The warrants will entitle the holder thereof to purchase one common share of Canadian Quasar at a price of \$2.50 until June 26, 1971 and thereafter at a price of \$5.00 until June 26, 1972, on which date they expire. Under the provisions of the underwriting agreement, Canadian Quasar has agreed to sell 37,500 warrants to Midland-Osler for a consideration of \$1,875 and in addition, Canadian Quasar has agreed to issue 11,500 warrants to an officer for no cash consideration. These warrants have the same terms as the 701,000 warrants mentioned above.

By agreement dated April 1, 1969 Canadian Quasar also agreed to sell 3,245,000 common shares from the treasury to American Quasar for a consideration of \$1,525,150 (\$.47 per share). This agreement is subject to the receipt by American Quasar of the proceeds from the underwriting agreement described above.

The pro forma consolidated balance sheet gives effect to:

- (a) The issue of 750,000 warrants to purchase one common share each of Canadian Quasar as follows:
  - i. 701,000 under the terms of the underwriting agreement for no cash consideration
  - ii. 37,500 to Midland-Osler for a cash consideration of \$1,875
  - iii. 11,500 to an officer for no cash consideration.
- (b) The sale of 3,245,000 common shares of Canadian Quasar to American Quasar for a cash consideration of \$1,525,150.
- (c) The repayment of a \$15,000 bank loan.

**2. Principles of consolidation**

The consolidated balance sheet includes the accounts of Canadian Quasar and its wholly-owned subsidiary, Galleon Oil Co. Ltd. The shares of Galleon were acquired on April 1, 1969 in exchange for 50,000 common shares of Canadian Quasar issued at their par value of \$12,500. The excess (\$62,012) of the purchase price over the net book value of the assets of Galleon is attributable to non-producing properties and is included therein in the consolidated balance sheet.

**3. Share capital**

Since the date of incorporation, January 16, 1969, to April 1, 1969 the following common shares have been issued:

	Shares	Consideration
For cash	15,000	\$51,077
For a promissory note from an officer	15,000	8,250
For the outstanding shares of Galleon		
Oil Co. Ltd. (Note 2)	50,000	12,500
	<u>80,000</u>	<u>\$71,827</u>

Of the total consideration \$20,000 was credited to share capital and the balance to contributed surplus. See Note 1 for a description of warrants to be outstanding.

#### AUDITORS' REPORT

To the Directors of  
Quasar Petroleum Ltd.

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Quasar Petroleum Ltd. and its subsidiary as at April 1, 1969 and the consolidated statement of source and application of funds for the period from incorporation of the Company on January 16, 1969, to April 1, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

- (a) The accompanying consolidated balance sheet presents fairly the financial position of the Company and its subsidiary at April 1, 1969 and
- (b) The accompanying pro forma consolidated balance sheet presents fairly the financial position of the Company and its subsidiary at April 1, 1969, after giving effect as of that date to the changes set forth in Note 1,
- (c) The accompanying consolidated statement of source and application of funds presents fairly the source and application of funds of the Company and its subsidiary for the period January 16, 1969 to April 1, 1969,

all in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Canada.  
May 16, 1969.

Arthur Young, Clarkson, Gordon & Co.  
Chartered Accountants.

#### PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL OR RESCISSION

Sections 63 and 64 of The Securities Act, 1966 (Ontario), Sections 63 and 64 of The Securities Act, 1968 (Manitoba), Sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) and Sections 63 and 64 of The Securities Act, 1967 (Alberta) provide, in effect, that where a security is offered to the public in the course of primary distribution;

- (a) a purchaser has the right to withdraw from the contract to purchase such security if written or telegraphic notice evidencing the intention of the purchaser not to be bound by such contract is received by the vendor not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by the purchaser or his agent; and
- (b) a purchaser has the right to rescind the contract to purchase such security by commencing an action within 90 days from the date of such contract or the date on which the prospectus or amended prospectus is received or deemed to be received by the purchaser or his agent, whichever is later if such prospectus, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made.

Reference is made to the said Acts for the complete text of the provisions under which the foregoing rights are conferred.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide in effect, that where a security is offered to the public in the course of primary distribution;

- (a) a purchaser (other than a company) has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of said security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Act of British Columbia for the complete text of the provisions under which the rights of purchasers in British Columbia are conferred.

## CERTIFICATE OF THE COMPANIES

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of the Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of the Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of the Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of the Securities Act, 1966 (Ontario) and the regulations thereunder, under the Securities Act (Quebec), and the regulations thereunder. Dated June 14, 1969.

## AMERICAN QUASAR PETROLEUM CO.

(Signed) DAVID ALBERT McMAHON  
Chief Executive Officer  
Director

(Signed) WILFORD BLAINE FULTZ  
Chief Financial Officer  
Director

On behalf of the Board of Directors

(Signed) RICHARD LAWRENCE LOWE (Signed) ARTHUR RAPHAEL KLIMCHUK  
Director Director

(Signed) WILLIAM LAWRENCE McINERNEY  
Director

## **QUASAR PETROLEUM LTD.**

(Signed) WILFORD BLAINE FULTZ  
Chief Executive Officer  
Director

(Signed) C. O. TED COLLINS, JR.  
Chief Financial Officer  
Director

On behalf of the Board of Directors

(Signed) RICHARD LAWRENCE LOWE  
Director

(Signed) DAVID ALBERT McMAHON  
Director

(Signed) ARTHUR RAPHAEL KLIMCHUK  
Director

By his signature affixed below, C. O. Ted Collins, Jr., has both personally and, pursuant to a Power of Attorney, duly executed and signed this prospectus on behalf of himself and Walter Arsdale Schmid, Jr., both being directors of American Quasar Petroleum Co. and Quasar Petroleum Ltd.

(Signed) C. O. TED COLLINS, JR.

By his signature affixed below, William Richard Fulton, has both personally and, pursuant to a Power of Attorney, duly executed and signed this prospectus on behalf of himself and Glen Cyril Speakman, both being directors of American Quasar Petroleum Co. and Quasar Petroleum Ltd.

(Signed) WILLIAM RICHARD FULTON

**CERTIFICATE OF UNDERWRITER**

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of the Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of the Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of the Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of the Securities Act, 1966 (Ontario) and the regulations thereunder, under the Securities Act, (Quebec) and the regulations thereunder.

## MIDLAND-OSLER SECURITIES LIMITED

by: (Signed) WILLIAM RICHARD FULTON

The following includes the name of every person having an interest directly or indirectly to the extent of not less than 5% of the capital of Midland-Osler Securities Limited: E. M. Kennedy, David B. Weldon, R. G. McCulloch, J. T. Skelly, E. H. Gunn, W. A. Stewart, C. W. McBride, T. W. Meredith and W. A. Dakin.

34. Date and author of mining or petroleum engineer's or geologist's report filed with this application and available for inspection on request.	James A. Lewis Engineering Inc., report dated January 1, 1969.
35. Full particulars of production to date.	See page 5 of the Prospectus dated June 14, 1969.
36. Have any dividends been paid? If so, give date, per share rate, and amount paid in dollars on each distribution.	No.
37. Name and address of the solicitor or attorney whose certificate that the applicant is a valid and subsisting company and that the shares which have been allotted and issued were legally created and are fully paid and non-assessable has been filed with the Exchange.	Messrs. Saucier, Jones, Peacock, Black, Gain, Stratton & Laycraft 300 Bentall Building Calgary 2, Alberta.
(a) Have any shares of the Company ever been listed on any other stock exchange? If so, give particulars.	No.
(b) Is any application for listing the shares of the Company on any other stock exchange now pending or contemplated? If so, give particulars.	No.
(c) Has any application for listing of any shares of the Company ever been refused or deferred by any stock exchange? If so, give particulars.	No.
39. Particulars of the principal business in which each officer and director has been engaged during the past five years, giving the length of time, position held and name of employing company or firm.	See page 7 of the Prospectus dated June 14, 1969.
40. The dates of and parties to and the general nature of every material contract entered into by the Company which is still in effect and is not disclosed in the foregoing.	See pages 9 and 10 of the Prospectus dated June 14, 1969.  Except for management contracts, do not include particulars of any contract entered into in the ordinary course of business carried on or intended to be carried on by the Company.
41. Any other material facts not disclosed in the foregoing.	None.

42.

**STATEMENT SHOWING DISTRIBUTION OF ISSUED CAPITAL  
AS OF JULY 29, 1969**

**FREE STOCK**

	Shares	Shares
(a) Distributed and in the hands of the public (exclusive of the promoters, officers and directors of the Company and their agents or trustees).	231,775	
(b) Distributed and in the hands of the promoters, officers and directors of the Company and their agents or trustees.	1,469,225	
Total free stock		1,701,000

**ESCROWED OR POOLED STOCK**

(c) Held in escrow or pool as set out in Item 19 of this application.	2,000,000
Total issued capital	3,701,000

**RECORD OF SHAREHOLDERS**

Number of registered shareholders holding shares in class (a) above	478
Number of registered shareholders holding shares in class (b) above	6
Number of registered shareholders holding shares in class (c) above	1

43.

**STATEMENT SHOWING NUMBER OF SHAREHOLDERS  
AS OF JULY 29, 1969**

Number		Shares
10	Holders of 1 — 99 shares .....	500
378	" " 100 — 499 "	62,875
60	" " 500 — 999 "	30,100
18	" " 1,000 — 1,999 "	18,700
1	" " 2,000 — 2,999 "	2,000
3	" " 3,000 — 3,999 "	9,000
—	" " 4,000 — 4,999 "	—
15	" " 5,000 — up "	3,577,825
<u>485</u>	<u>Shareholders</u>	<u>3,701,000</u>

As of July 29, 1969, Midland-Osler Securities Limited, the underwriter, was the registered but not the beneficial owner of 469,225 shares. The underwriter from its own records reported the beneficial ownership of 446,130 shares of the above 469,225 shares as of July 31, 1969, as follows:

Number		Shares
19	Holders of 1 — 99 shares .....	975
984	" " 100 — 499 "	180,325
248	" " 500 — 999 "	127,050
67	" " 1,000 — 1,999 "	72,700
10	" " 2,000 — 2,999 "	20,500
4	" " 3,000 — 3,999 "	12,000
2	" " 4,000 — 4,999 "	9,500
2	" " 5,000 — up "	23,080
<u>1,336</u>	<u>Shareholders</u>	<u>446,130</u>

The difference between 469,225 and 446,130, being 23,095 shares, represented shares in transit and those held by other dealers, brokers or persons. The underwriter had no knowledge as to the beneficial ownership of the above 23,095 shares.

Dated this 30th day of July, 1969, at Calgary, Alberta.



AMERICAN QUASAR PETROLEUM COMPANY  
By "D. A. McMAHON",  
President

By "W. B. FULTZ",  
Secretary

**CERTIFICATE OF UNDERWRITER**

To the best of our knowledge, information and belief all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

MIDLAND-OSLER SECURITIES LIMITED  
By "G. C. SPEAKMAN".



